



Conejo Recreation & Park District

GENERAL MANAGER
Jim Friedl

BOARD OF DIRECTORS

Joe Gibson, Chair
Ed Jones, Vice Chair
George Lange, Director
Susan L. Holt, Director
Chuck Huffer, Director

GENERAL MANAGER EMERITUS

Tex Ward

DATE: January 9, 2014

TO: Board of Directors

FROM: Jim Friedl, General Manager

SUBJECT: Annual Audit Report

RECOMMENDATION

Board of Directors accept the financial statements for the year ending June 30, 2013, as prepared by the accounting firm of Pun & McGeady, CPAs.

DISCUSSION

Attached are the financial statements for the year ending June 30, 2013. The financial statements represent management's assertions concerning the government's financial position, results of operations and cash flows. The auditor's role is strictly limited to providing users of the financial statements with an independent basis for relying on management's assertions.

Consistent with prior years, the auditors have issued an unqualified or "clean" opinion, which means they can state, without reservation, that the financial statements are fairly presented in conformity with generally accepted accounting principles.

The auditors did not have any findings and recommendations as a result of the FY12-13 audit; however, we note that the District's response to the following findings are still in process:

Capital Assets

The District does not integrate capital asset additions and deletions into the General Ledger. Although the District has a capital assets computer module, it is not being used. Instead, the District maintains Excel spreadsheets for all capital assets, including all additions and deletions. The General Ledger is the official record of the District and all financial information should be recorded in the General Ledger. We recommend that the District integrate and maintain its capital assets information in the computerized General Ledger of the District.

The District does not have Standard Procedures that address the following:

- a. Performing periodic inventories on its capital assets;*
- b. Reconciling the periodic inventories to the capital asset records; and*
- c. Reviewing process of the capital asset records.*

STRATEGIC PLAN COMPLIANCE

Meets Strategic Plan Vision Statement: In order to continue to serve our community and be recognized as a top recreation and park district in the nation, we must be financially stable.

Respectfully submitted,



Sheryl Lewanda, Administrator
Management Services

Attachment

Conejo Recreation and Park District

Thousand Oaks, California

Independent Auditors' Report and Basic Financial Statements

For the year ended June 30, 2013

Conejo Recreation and Park District
Basic Financial Statements
For the year ended June 30, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Conejo Recreation and Park District
Thousand Oaks, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Conejo Recreation and Park District (the "District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Conejo Open Space Conservation Agency ("COSCA"), which represents 25.7 percent, 26.7 percent, and 13.3 percent, respectively, of the assets, net position, and revenues of the District. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Investment in Joint Venture for COSCA, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

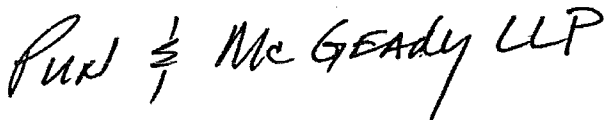
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, and Schedules of Funding Progress on pages 3 through 11 and 48 through 53 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Combining Financial Statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Financial Statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Rick Mc Geady" followed by "LLP". The signature is written in a cursive, stylized font.

Irvine, California
December 16, 2013

Conejo Recreation and Park District

Management's Discussion and Analysis

For the year ended June 30, 2013

As management of the Conejo Recreation and Park District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013.

FINANCIAL HIGHLIGHTS

Government-wide

- On June 30, 2013, District assets exceeded its liabilities by \$140.6 million (net position). Of this amount, \$60.5 million was unrestricted, which is comprised of \$37.6 million of investment in joint venture and \$22.9 million that may be used to meet the District's ongoing obligations to citizens and creditors. The District's net position increased \$4.6 million during the fiscal year.

Fund Basis

- At the close of fiscal year 2012-13, District governmental funds report a combined ending fund balance of \$28.8 million, a decrease of \$1.6 million in comparison with the prior year. Approximately \$24.5 million or 85.1 percent is in the General Fund. Of this amount, \$7.0 million is unassigned General Fund balance.
- At the close of fiscal year 2012-13, the General Fund budget to actual report shows a \$0.4 million increase in appropriations from original to final budget. Fund balance increased by \$0.7 million rather than the budgeted \$0.5 million decrease. Actual revenues were less than budgeted by \$0.1 million and actual expenditures and transfers were less than budgeted by \$1.2 million.
- As of June 30, 2013, the District's other governmental funds, excluding the General Fund, reported combined ending fund balances of \$4.3 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid (e.g., earned but unused vacation leave or uncollected taxes).

**Conejo Recreation and Park District
Management's Discussion and Analysis (Continued)
For the year ended June 30, 2013**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund financial statements

Fund financial statements are designed to report information about groupings of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. District funds can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains several individual governmental funds organized by their type (special revenue, debt service, and capital projects funds). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Special Assessment District Special Revenue Fund, Dos Vientos Assessment District Special Revenue Fund, Rancho Conejo Assessment District Special Revenue Fund, and Capital Projects Fund, which are considered to be major funds.

The District adopts a biennial appropriated budget. Budgetary comparison schedules have been provided to demonstrate compliance with the General Fund, Special Assessment District Special Revenue Fund, Dos Vientos Assessment District Special Revenue Fund, and Rancho Conejo Assessment District Special Revenue Fund, on *pages 49 to 52* of this report.

The governmental funds financial statements can be found on *pages 21 - 24* of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements, because the resources of those funds are not available to support the District's own programs.

The fiduciary fund financial statements can be found on *page 26* of this report.

Notes to the basic financial statements

The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on *pages 28 - 46* of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and supplementary information, which can be found on *pages 48 - 61*.

Conejo Recreation and Park District
Management's Discussion and Analysis (Continued)
For the year ended June 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. District assets exceed liabilities by \$140.6 million at June 30, 2013, as summarized below:

Statement of Net Position
June 30,

	<u>2013</u>	<u>2012</u>
Assets:		
Cash and investments	\$ 29,823,636	\$ 32,208,071
Receivables	509,424	402,170
Contributions receivable	1,024,824	1,025,866
Other assets	13,671	20,593
Investment in Joint Venture	37,590,304	34,209,716
Capital assets (net of depreciation)	<u>77,353,150</u>	<u>74,168,497</u>
Total assets	<u>146,315,009</u>	<u>142,034,913</u>
Liabilities:		
Accounts payable	735,707	1,443,098
Other current liabilities	1,040,050	1,070,823
Noncurrent liabilities	<u>3,945,010</u>	<u>3,519,318</u>
Total liabilities	<u>5,720,767</u>	<u>6,033,239</u>
Net position:		
Net investment in capital assets	77,353,150	74,168,497
Restricted	2,735,579	5,306,154
Unrestricted	<u>60,505,513</u>	<u>56,527,023</u>
Total net position	<u>\$140,594,242</u>	<u>\$136,001,674</u>

The largest portion (55.0 percent) of the District's net position reflects its investment of \$77.4 million in capital assets (land, buildings, improvements, equipment, infrastructure and construction in progress, net of accumulated depreciation), less any related outstanding debt used to acquire those assets. The District has no debt related to asset acquisition. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Another portion of the District's net position, \$2.7 million (1.9 percent) represents resources that are subject to external restriction on how they may be used. \$37.6 million in unrestricted net position reflects the District's investment in its joint venture with the City of Thousand Oaks - Conejo Open Space Conservation Agency (COSCA). The District's share of COSCA's capital assets totals \$37.1 million. These assets are not available for future spending. The remaining balance of \$22.9 million (16.3 percent) may be used to meet the District's ongoing obligation to citizens, employees and creditors and to meet District imposed designations for post employment benefits other than pensions and operating reserves.

Conejo Recreation and Park District
Management's Discussion and Analysis (Continued)
For the year ended June 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The increase in receivables reflects a \$0.3 million loan due from the American Youth Soccer Organization (AYSO) for the Conejo Creek South Snack Shack, offset by reductions in accounts receivable and interest receivable. The decrease in accounts payable reflects a reduction in capital project activity, whereby there are fewer capital project expenses incurred but not paid at year end.

The increase in noncurrent liabilities consists of recognition of the fiscal year 2012-13 Other Post Employment Benefit (OPEB) liability of \$0.5 million offset by a reduction in Claims Payable. The District has committed \$4.9 million of the General Fund balance for OPEB costs.

Restricted Net Position reflects resources available in the District's three Assessment Districts. The decrease is primarily due to expenditures on budgeted capital projects.

Statement of Activities

As shown in the table below, the District's net position increased \$4.6 million during the fiscal year ended June 30, 2013 and \$2.7 million during the fiscal year ending June 30, 2012. \$3.4 million of the change in FY 12-13 is attributable to the District's investment in the joint venture, Conejo Open Space Conservation Agency (COSCA), whose net position increase is primarily due to open space property acquisitions. The remaining \$1.2 million in increases are due to revenues exceeding expenses.

Statement of Activities
June 30,

	<u>2013</u>	<u>2012</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 4,283,577	\$ 4,296,673
Operating Grants & Contributions	1,965,331	1,857,166
Capital Grants & Contributions	3,508,055	3,562,742
General Revenues:		
Property Taxes	11,893,088	11,810,649
Investment Income	3,409,114	357,062
Other	398,277	666,401
Total Revenues	<u>25,457,442</u>	<u>22,550,693</u>
Expenses:		
Parks & Recreation	<u>20,864,874</u>	<u>19,856,797</u>
Increase in Net Position	4,592,568	2,693,896
Net Position – Beginning	<u>136,001,674</u>	<u>133,307,778</u>
Net Position - Ending	<u>\$ 140,594,242</u>	<u>\$ 136,001,674</u>

**Conejo Recreation and Park District
Management's Discussion and Analysis (Continued)
For the year ended June 30, 2013**

FINANCIAL ANALYSIS OF DISTRICT FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the close of fiscal year 2012-13, District governmental funds reported a combined ending fund balance of \$28.8 million, a decrease of \$1.6 million in comparison with the prior year. Approximately \$24.5 million or 85.1 percent is in the General Fund. Of this amount, \$17.5 million is being held for specific purposes.

The following are the District's major funds:

General Fund

The General Fund is the District's primary operating fund. It showed an increase of \$0.7 million in fund balance for the year ended June 30, 2013. At June 30, 2013, the fund balance was \$24.5 million. As a measure of liquidity, it may be useful to compare fund balance to total expenditures. Fund balance represents 144.2 percent of total General Fund expenditures, excluding transfers.

Special Assessment District Special Revenue Fund

The Special Assessment District Fund accounts for a district-wide assessment for park maintenance and capital projects. Major projects during the fiscal year include completion of Oakbrook Neighborhood Park, Oakbrook Service Yard, Playground Facilities at La Canada Park, and repair and rehabilitation to the parking lot and roof replacement at Thousand Oaks Community Center. These capital projects contributed to an expected fund balance decrease of \$1.6 million for a balance of \$2.1 million at June 30, 2013.

Dos Vientos Assessment District Special Revenue Fund

The Dos Vientos Assessment District Fund accounts for an assessment for park maintenance and capital projects in the Dos Vientos area of the District. Completion of the Del Prado Playfields Park contributed to an expected decrease in fund balance of \$0.9 million, leaving a balance of \$0.6 million at June 30, 2013.

Rancho Conejo Assessment District Special Revenue Fund

The Rancho Conejo Assessment District Fund accounts for an assessment for park maintenance and capital projects in the Rancho Conejo area of the District. Completion of the parking lot expansion at the Rancho Conejo Playfields contributed to a planned decrease in fund balance of \$0.01 million, leaving a balance of \$0.02 million at June 30, 2013.

**Conejo Recreation and Park District
Management's Discussion and Analysis (Continued)
For the year ended June 30, 2013**

FINANCIAL ANALYSIS OF DISTRICT FUNDS (CONTINUED)

Capital Projects Fund

The Capital Projects Fund provides resources for construction of capital projects. Major projects include completion of a community room/snack shack at Conejo Creek South Park and replacement of the Estella Park restroom which was lost in a fire. Other projects include a replacement basketball court at Southshore Hills park, repair and rehabilitation of the parking lots at the Stagecoach Inn (Susan Drive) and at Walnut Grove Equestrian park. Fund balance increased \$0.3 million for a total of \$1.6 million at June 30, 2013.

BUDGETARY HIGHLIGHTS

General Fund

The General Fund budget to actual schedule can be found on **page 49** of this report. Increases between the original and final budget were \$0.3 million due to Board approved budget adjustments, primarily providing additional appropriation for water expenditures, due to higher water rates and an unfavorable rainfall pattern.

Total actual revenues were under budget by \$0.1 million - Property tax revenues and interest earnings were under budget by \$0.3 million and \$0.1 million, respectively. These were offset by increases in Facilities rental, Recreation fees and Other governmental agencies. Actual operating expenditures were less than budgeted by \$1.1 million across all divisions.

Actual revenues exceeded actual expenditures by \$1.3 million. Anticipated net transfers out of the General Fund of \$0.6 million led to an increase in fund balance of \$0.7 million.

Special Assessment District Special Revenue Fund

The budget to actual schedule for this fund can be found on **page 50** of this report. Changes between the original and final budget include increases in the Capital outlay expenditure account primarily reflecting carryover of appropriation available at the end of FY 11-12 for projects in progress at the end of that year.

The positive variance in the Capital outlay expenditure account primarily reflects appropriation that will be carried into FY13-14 to complete capital projects in progress. The positive variance in the Transfers in account reflects resources available for future capital projects.

Dos Vientos Assessment District Special Revenue Fund

The budget to actual schedule for this fund can be found on **page 51** of this report. Changes from the original to final budgets primarily reflect a \$0.4 million carryover of appropriation available in the Del Prado Playfields capital project at the end of FY 2011-12.

Rancho Conejo Assessment District Special Revenue Fund

The budget to actual schedule for this fund can be found on **page 52** of this report. Changes from the original to final budgets reflect a reduction in appropriations for the Parking Lot Expansion project due to more work being completed (and thus more spent) in the prior fiscal year than anticipated during the budget process.

**Conejo Recreation and Park District
Management's Discussion and Analysis (Continued)
For the year ended June 30, 2013**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

District investment in capital assets for its governmental activities as of June 30, 2013, totaled \$77.4 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, and construction in progress. The total increase in capital assets for fiscal year 2012-13 was \$3.2 million, or 4.3 percent. Additional information on the District's capital assets can be found on **page 40** of this report. Capital assets are summarized below:

Capital Assets (net of accumulated depreciation)		
June 30,		
	2013	2012
Land	\$ 41,498,102	\$ 41,498,102
Buildings	7,141,922	6,011,682
Improvements	23,077,954	15,747,284
Equipment	1,360,543	1,400,449
Construction in Progress	4,274,629	9,510,980
	<u>\$ 77,353,150</u>	<u>\$ 74,168,497</u>

Major capital asset events during the fiscal year included completion of the following projects that were in process at the beginning of the fiscal year: Del Prado Playfields in Dos Vientos, the community room/snack shack at Conejo Creek South Park, Oakbrook Neighborhood Park, Oakbrook Service Yard, and parking expansion at Rancho Conejo Park. In addition, the roof was replaced at Thousand Oaks Community Center, a replacement basketball court was installed at Southshore Hills Park. The decrease in Construction in Progress reflects the completion of the projects noted above. The remaining \$4.3 million reflects projects in process but not completed or in service at June 30, 2013.

Long-term debt

The District has no outstanding debt at June 30, 2013.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The focus of this annual report is the economic condition of the District as of June 30, 2013, however, national, state and local issues have economic impacts on the District and are worthy of consideration in this report.

The nation continues to recover from one of the worst recessions in its history. Although unemployment remains high, the financial markets have recovered, and in many areas home values are rising. However, ongoing unemployment and stimulus packages continue to contribute to record federal budget deficits.

Conejo Recreation and Park District
Management's Discussion and Analysis (Continued)
For the year ended June 30, 2013

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (CONTINUED)

The State Legislative Analyst's Office is currently projecting budget surpluses for the next seven fiscal years. Although the surpluses result, at least in part, from tax increases approved by the people of the State and from the State's elimination of local Redevelopment Agencies, there is no current discussion of returning any of the surpluses to local government. The State's historical use of local resources to balance its budget remains of significant concern to local governments.

The District's primary revenue source is property taxes, which are expected to increase slightly from fiscal year 2012-13 to fiscal year 2013-14, reflecting the start of the recovery in the local real estate market. Managing district resources in an environment of slight property tax revenue increases coupled with rising costs (particularly water rates) is one of the challenges facing the District.

An additional challenge facing state and local government is pension funding. The value of the California public employees' retirement systems (CalPERS) investment portfolio declined 23.4 percent during the year ended June 30, 2009. Since the market plunge in 2009, the portfolio value increased 13 percent in 2010; 20 percent in 2011; 0% in 2012; and is estimated to increase 12% for the FY ending June 2013. Even with the overall robust returns the past 4 years, CalPERS' portfolio has not yet reached a portfolio value where it would be had it annually achieved its actuarially estimated investment return (7.75% and 7.5%), thus driving increases in future employer contribution rates. The actual change in contribution rates is driven by actuarial assumptions and projected future portfolio earnings.

Since 2005, as part of the employee compensation and benefit package, the District had been paying the employees' portion of the pension cost - 7% of salary. In addition to that 7%, the District is responsible for the annually adjusted employer contribution rate. The employer contribution rate increased from 6.609% for fiscal year 2009-10, to 8.607% for fiscal year 2013-14. Using the existing actuarial assumptions and projected portfolio returns, the preliminary estimated employer's share of the pension cost for fiscal years 2014-15, 2015-16, and 2016-17 is 9.751%, 10.900% and 12.1% respectively. These figures are prior to changes in actuarial assumptions that CalPERS anticipates will drive the projected rates even higher. Due to these increasing pension costs and the Public Employee Pension Reform Act (PEPRA), the District and employees reached an agreement whereby the employees will pay the full 7% of the employee contribution by July, 2014. Thus, even though the total cost of employee pensions is escalating, by transferring 7% to the employees, the District's expense for pensions is projected to remain generally stable through FY 16/17.

In addition, effective in December, 2009, the District implemented a second tier retirement program – new enrollees are eligible for the 2% at 60 formula rather than the 2% at 55 formula, which will save the District money over time. Pension reform legislation adopted at the State level set a new formula, 2% at 62, for employees new to the retirement system after 12/31/12. The formula, coupled with the legislation's other changes to pension systems, are expected to drive contribution rates down over the coming decades.

Locally, the District encompasses a community that has reached build out, thus fees from residential developers (Quimby Fees) for future park development have dwindled to near zero. Consequently, resources for future capital maintenance, replacement and new park and facility development must be either made available from resources currently available for operating expenses, or additional revenue sources must be identified.

**Conejo Recreation and Park District
Management's Discussion and Analysis (Continued)
For the year ended June 30, 2013**

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of District finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Management Services Administrator, Conejo Recreation and Park District, 403 W. Hillcrest Dr., Thousand Oaks, California, 91360 or call 805-495-6471 or email parks@crpd.org.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

Conejo Recreation and Park District
Statement of Net Position
June 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and investments (Note 2)	\$ 29,756,953
Cash with fiscal agent (Note 2)	66,683
Receivables (Note 3):	
Accounts	109,018
Interest	38,296
Taxes	62,167
Loans	299,943
Prepaid items	13,506
Other assets	165
Total current assets	<u>30,346,731</u>
Noncurrent assets:	
Contribution receivable (Note 5)	1,024,824
Investment in joint venture (Note 12)	37,590,304
Capital assets (Note 6):	
Nondepreciable	45,772,731
Depreciable, net	<u>31,580,419</u>
Total capital assets, net	<u>77,353,150</u>
Total noncurrent assets	<u>115,968,278</u>
Total assets	<u><u>146,315,009</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	735,707
Payroll and related liabilities	417,158
Refundable deposits	12,146
Unearned revenues	395,746
Claims payable - due in less than one year (Note 10)	115,000
Compensated absences - due in less than one year	<u>100,000</u>
Total current liabilities	<u>1,775,757</u>
Noncurrent liabilities:	
Claims payable - due in more than one year (Note 10)	307,550
Compensated absences - due in more than one year	899,758
Net other post employment benefits obligation (Note 9)	<u>2,737,702</u>
Total noncurrent liabilities	<u>3,945,010</u>
Total liabilities	<u><u>5,720,767</u></u>
NET POSITION	
Net investment in capital assets	77,353,150
Restricted for Assessment Districts	2,735,579
Unrestricted	<u>60,505,513</u>
Total net position	<u><u>\$ 140,594,242</u></u>

Conejo Recreation and Park District
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Parks and recreation	\$ 20,864,874	\$ 4,283,577	\$ 1,965,331	\$ 3,508,055	\$ (11,107,911)
Total governmental activities	<u>\$ 20,864,874</u>	<u>\$ 4,283,577</u>	<u>\$ 1,965,331</u>	<u>\$ 3,508,055</u>	<u>(11,107,911)</u>
General Revenues:					
Taxes:					
Secured and unsecured property taxes					11,893,088
Investment income					3,409,114
Licenses and permits					296,425
Other					<u>101,852</u>
Total general revenues					<u>15,700,479</u>
Changes in net position					4,592,568
Net position:					
Beginning of year					<u>136,001,674</u>
End of year					<u>\$ 140,594,242</u>

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FUND FINANCIAL STATEMENTS

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Conejo Recreation and Park District
Balance Sheet
Governmental Funds
June 30, 2013

June 30, 2015

	Major Funds					
	Special Revenue Funds					
	General	Special	Dos Vientos	Rancho Conejo	Capital	Total
	Fund	Assessment	Assessment	Assessment	Projects	Governmental
	Fund	District Fund	District Fund	District Fund	Fund	Funds
ASSETS						
Cash and investments	\$ 25,711,152	\$ 2,096,146	\$ 623,809	\$ 27,958	\$ 1,297,888	\$ 29,756,953
Cash with fiscal agent	-	66,683	-	-	-	66,683
Receivables:						
Accounts	41,117	-	-	-	67,901	109,018
Interest	22,672	9,150	6,025	270	179	38,296
Taxes	15,549	33,932	11,659	1,027	-	62,167
Loans	7,943	2,000	-	-	290,000	299,943
Contribution receivable (Note 5)	1,024,824	-	-	-	-	1,024,824
Prepaid items	13,506	-	-	-	-	13,506
Other assets	165	-	-	-	-	165
Total assets	\$ 26,836,928	\$ 2,207,911	\$ 641,493	\$ 29,255	\$ 1,655,968	\$ 31,371,555
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 523,074	\$ 86,092	\$ 28,821	\$ 2,965	\$ 94,755	\$ 735,707
Accrued expenditures	393,956	1,742	18,238	3,222	-	417,158
Refundable deposits	12,146	-	-	-	-	12,146
Deferred revenues	1,420,570	-	-	-	-	1,420,570
Total liabilities	2,349,746	87,834	47,059	6,187	94,755	2,585,581
Fund Balances:						
Nonspendable:						
Prepaid items	13,506	-	-	-	-	13,506
Long-term receivables	7,943	2,000	-	-	290,000	299,943
Restricted for:						
Assessment Districts	-	2,118,077	594,434	23,068	-	2,735,579
Committed for:						
Other post employment benefits	4,866,999	-	-	-	-	4,866,999
Claims	5,605,040	-	-	-	-	5,605,040
Operating reserve	2,300,000	-	-	-	-	2,300,000
Equipment replacement	3,385,837	-	-	-	-	3,385,837
Assigned for:						
Retirement	1,242,948	-	-	-	-	1,242,948
Capital projects	-	-	-	-	1,271,213	1,271,213
Other purposes	84,889	-	-	-	-	84,889
Unassigned	6,980,020	-	-	-	-	6,980,020
Total fund balances	24,487,182	2,120,077	594,434	23,068	1,561,213	28,785,974
Total liabilities and fund balances	\$ 26,836,928	\$ 2,207,911	\$ 641,493	\$ 29,255	\$ 1,655,968	\$ 31,371,555

See accompanying Notes to Basic Financial Statements.

Conejo Recreation and Park District
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2013

Total Fund Balances - Total Governmental Funds	\$ 28,785,974
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Amounts reported for governmental activities in the Government-Wide Statement of Net Position were different because:

In governmental funds, only current assets were reported. In the Statement of Net Position, all assets were reported, including capital assets and accumulated depreciation.

Nondepreciable capital assets	\$ 45,772,731	
Depreciable capital assets, net	31,580,419	77,353,150

Investment in joint venture has not been included as financial resources in the governmental funds.	37,590,304
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Certain revenues in the governmental funds were deferred because they were not collected within the prescribed time period after year-end. However, these revenues were included in the government-wide financial statements.	1,024,824
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Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the governmental funds' Balance Sheet.

Claims payable - due within one year		(115,000)
Claims payable - due in more than one year		(307,550)
Compensated absences - due within one year		(100,000)
Compensated absences - due in more than one year		(899,758)
Net other post employment benefits obligation		(2,737,702)

Net position of governmental activities	\$ 140,594,242
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Conejo Recreation and Park District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	Major Funds					
	Special Revenue Funds					
	General	Special	Dos Vientos	Rancho Conejo	Capital	Total
	Fund	Assessment	Assessment	Assessment	Projects	Governmental
	Fund	District Fund	District Fund	District Fund	Fund	Funds
REVENUES:						
Property taxes	\$ 11,893,088	\$ -	\$ -	\$ -	\$ -	\$ 11,893,088
Assessments	-	1,654,514	583,381	71,155	-	2,309,050
Licenses and permits	21,555	-	87,897	-	186,973	296,425
Interest	(18,929)	27,344	18,760	768	583	28,526
Facilities rental	631,936	-	-	-	-	631,936
Other governmental agencies	1,965,331	7,341	-	-	14,243	1,986,915
Recreation fees	3,651,641	-	-	-	-	3,651,641
Other	102,483	-	-	28,058	1,149,774	1,280,315
Total revenues	18,247,105	1,689,199	690,038	99,981	1,351,573	22,077,896
EXPENDITURES:						
Current:						
Parks and recreation:						
District administration	2,404,976	-	-	-	-	2,404,976
Parks and planning	7,426,866	525,315	774,591	269,652	-	8,996,424
Recreation and community services	6,561,969	-	-	-	-	6,561,969
Capital outlay	582,128	3,007,705	1,034,407	30,150	1,051,076	5,705,466
Total expenditures	16,975,939	3,533,020	1,808,998	299,802	1,051,076	23,668,835
REVENUES OVER (UNDER) EXPENDITURES	1,271,166	(1,843,821)	(1,118,960)	(199,821)	300,497	(1,590,939)
OTHER FINANCING SOURCES (USES):						
Transfers in	80,000	275,000	269,873	192,696	26,000	843,569
Transfers out	(692,569)	(80,000)	(71,000)	-	-	(843,569)
Total other financing sources (uses)	(612,569)	195,000	198,873	192,696	26,000	-
Net change in fund balances	658,597	(1,648,821)	(920,087)	(7,125)	326,497	(1,590,939)
FUND BALANCES:						
Beginning of year	23,828,585	3,768,898	1,514,521	30,193	1,234,716	30,376,913
End of year	\$ 24,487,182	\$ 2,120,077	\$ 594,434	\$ 23,068	\$ 1,561,213	\$ 28,785,974

Conejo Recreation and Park District
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes
in Fund Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2013

Net change in fund balance - total governmental funds: \$ (1,590,939)

Amounts reported for governmental activities in the Statement of Activities are different because:

Acquisition of capital assets was reported as expenditures in the governmental funds. However, in the Government-Wide Financial Statements, the cost of those assets was capitalized and depreciated over the estimated useful lives of the capital assets. The following capital assets were recorded in the current period:

Capital outlay (\$296,582 of capital outlay expenditures was for current park and recreation expenditures and was not capitalized)	5,408,884
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Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as an expenditure in the governmental funds.	(2,128,202)
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The net effect of the disposal of capital assets.	(96,029)
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Investment revenue earned from investment in joint venture.	3,380,588
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Change in claims payable expense was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, the decrease in claims payable was not reported as an expenditure in the governmental funds.	133,062
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Change in long-term compensated absences was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, the decrease in long-term compensated absences was not reported as an expenditure in the governmental funds.	6,879
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Certain revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. However, the revenues are included in the government-wide statements.	(1,042)
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Net other postemployment benefits obligation was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, the increase in long-term net other post employment benefits obligation was not reported as an expenditure in the governmental funds.	(520,633)
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Change in net position of governmental activities	<u><u>\$ 4,592,568</u></u>
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FIDUCIARY FUND FINANCIAL STATEMENTS

Conejo Recreation and Park District
Statement of Fiduciary Net Position
Agency Funds
June 30, 2013

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 930,942
Interest receivable	<u>531</u>
Total assets	<u>\$ 931,473</u>
LIABILITIES	
Deposits	<u>\$ 931,473</u>
Total liabilities	<u>\$ 931,473</u>

NOTES TO BASIC FINANCIAL STATEMENTS

Conejo Recreation and Park District
Notes to Basic Financial Statements
For the year ended June 30, 2013

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

The accompanying basic financial statements present the financial activity of the Conejo Recreation and Park District (the “District”), which is the primary government, along with the financial activities of its component unit for which the District is financially accountable. Although they are separate legal entities, blended component units are in substance part of the District’s operations and are reported as an integral part of the District’s financial statements. The District’s component unit, which is described below, is a blended component unit of the District.

The Board of Directors of the District makes managerial decisions for the Alex Fiore Thousand Oaks Teen Center (the “Center”) and, as such, it is included as a component unit of the accompanying basic financial statements. The Center’s financial activities have been aggregated and merged (termed “blending”) within the District’s General Fund, as it meets the criteria for inclusion.

The Center was opened in October 1989 for 7th to 12th grade teens. The mission of the Center is to enrich the lives of Conejo teens by offering a comprehensive program to include quality leisure, social, and educational services in the form of both drop-in and organized activities, including recreational classes, educational workshops, surf and sports camps, leagues, excursions, dances, and live concerts.

B. Basis of Accounting and Measurement Focus

The District’s basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Governmental Accounting Standards Board (“GASB”) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

Government-Wide Financial Statements

The District’s Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. Fiduciary activities of the District are not included in these statements.

In 2013, the District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as a revenue until that time.

The Government-Wide Financial Statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the District’s assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred.

Conejo Recreation and Park District
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Government-Wide Financial Statements (Continued)

Certain types of transactions reported as program revenues for the District are reported in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Activities have been eliminated. The following interfund activities have been eliminated:

- Transfers in/out

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-Wide Financial Statements.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District, are property taxes, grant revenues and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences.

Major Funds

The District reported the following major governmental funds in the accompanying basic financial statements:

General Fund – The General Fund is used for all general revenues of the District not specifically levied or collected for other District funds and the related expenditures. The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

Special Assessment District Special Revenue Fund – This fund accounts for and reports proceeds of specific revenue sources that are restricted or committed to expenditures for specified maintenance and construction projects in the assessment district.

Conejo Recreation and Park District
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Major Funds (Continued)

Dos Vientos Assessment District Special Revenue Fund – This fund accounts for and reports proceeds of specific revenue sources that are restricted or committed to expenditures for acquisition and construction of capital assets and maintenance within the Dos Vientos Assessment District.

Rancho Conejo Assessment District Special Revenue Fund – This fund accounts for and reports proceeds of specific revenue sources that are restricted or committed to expenditures for acquisition and construction of capital assets and maintenance within the Rancho Conejo Assessment District.

Capital Projects Fund – This fund accounts for and reports financial resources that are restricted, committed or assigned for the acquisition or construction of major capital facilities.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Fiduciary Net Position. The District's fiduciary funds represent agency funds. Fiduciary fund types are accounted for according to the nature of the fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are accounted for using the accrual basis of accounting.

Fiduciary Funds

Agency Funds – These funds account for assets of others for which the District acts as an agent. The District maintains six agency funds: Farland House Revolving, Wildwood Flood Repair, Goebel Senior Adult Center, Fireworks Trust, RSVP Advisory Council and Therapeutic Advisory Council.

C. Cash, Cash Equivalents and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as cash and investments.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

D. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Conejo Recreation and Park District
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Capital Assets

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of the contribution. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and estimated useful life in excess of three years.

The District depreciates all capital assets over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The District has assigned the useful lives listed below to capital assets:

	Useful Lives (In Years)
Equipment	3-10
Improvements	5-20
Structures	20

Major outlays for capital assets and improvements are capitalized in construction in progress as projects are constructed.

F. Long-Term Debt

Government-Wide Financial Statements - Long-term debt and other long-term obligations are reported as liabilities in the appropriate activities.

Fund Financial Statements - The fund financial statements do not present long-term debt. Long-term debt is shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

G. Compensated Absences

The District accrues accumulated vacation leave and then expenses the cost as paid in the General Fund. It is policy of the District to pay all accumulated vacation leave when an employee retires or is otherwise terminated.

Sick leave costs are expensed as paid in the General Fund. Employees have vested rights in half of their accumulated unpaid sick leave upon retirement after ten years of service.

Sick and vacation pay is accrued when incurred in the Government-Wide Financial Statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Conejo Recreation and Park District
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

H. Property Taxes

Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

Property Valuations – are established by the Assessor of the County of Ventura for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. From this base assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Tax Levies – are limited to 1% of fair value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Tax Levy Dates – are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following fiscal year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

Tax Collections – are the responsibility of the county tax collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments: The first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of fiscal year. Significant penalties are imposed by the county for late payments.

Tax Levy Apportionments – due to the nature of the District-wide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Under State Legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the county auditor-controller based primarily on the ratio that each agency represented of the total District-wide levy for the three years prior to fiscal year 1979.

Property Tax Administration Fees – The State of California FY1990-91 Budget Act authorized counties to collect an administrative fee for collection and distribution of property taxes.

I. Net Position and Fund Balances

Government-Wide Financial Statements

Net position represents the difference between all other elements in the statement of net position and should be displayed in the following three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

Conejo Recreation and Park District
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

I. Net Position and Fund Balances (Continued)

Government-Wide Financial Statements (Continued)

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Use of Restricted and Unrestricted Net Position

When expenses are incurred for purposes for which both restricted and unrestricted components of net position are available, the District's policy is to apply the restricted component of net position first, then the unrestricted component of net position as needed.

Fund Financial Statements

Nonspendable Fund Balance – This amount indicates that portion of fund balance which cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted Fund Balance – This amount indicates that portion of fund balance which has been restricted to specific purposes by external parties, constitutional provisions, or enabling legislation.

Committed Fund Balance – This amount indicates that portion of fund balance which can only be used for specific purposes pursuant to formal action of the District's Board of Directors.

Assigned Fund Balance – This amount indicates that portion of fund balance which is constrained by the District's intent to be used for specific purposes, but is neither restricted nor committed. The Board of Directors has designated the General Manager to assign fund balances.

Unassigned Fund Balance – This amount indicates the residual portion of fund balance.

Use of Restricted and Unrestricted Fund Balances

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the District's policy is to apply restricted fund balances first, then unrestricted fund balances as they are needed. When expenditures are incurred for purposes for which unrestricted fund balances are available, the District uses the unrestricted resources in the following order: committed, assigned, and unassigned.

J. Use of Estimates

The preparation of the basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates and assumptions.

Conejo Recreation and Park District
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

K. Accounting Changes

GASB has issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* (“SCA”). The requirements of this statement improve financial reporting by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This statement became effective for periods beginning after December 15, 2011 and did not have a significant impact on the District’s financial statements for the year ended June 30, 2013.

GASB has issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. The requirements of this statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. This statement became effective for periods beginning after June 15, 2012 and did not have a significant impact on the District’s financial statements for year ended June 30, 2013.

GASB has issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement combines the authoritative accounting and financial reporting of the FASB and the American Institute of Certified Public Accountants (“AICPA”). The statement eliminates the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments. This statement became effective for period beginning after December 15, 2011 and did not have a significant impact on the District’s financial statements for the year ended June 30, 2013.

GASB has issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The requirement of this statement standardizes the presentation of the deferred inflows and outflows of resources and their effects on a government’s net position. This statement became effective for periods beginning after December 15, 2011. The implementation of this statement to the District was limited to renaming of “Net Assets” to “Net Position”.

Note 2 – Cash and Investments

The District maintains a cash and investment pool, which includes cash balances and authorized investments of all funds. This pooled cash is invested by the District to enhance earnings. The pooled interest earned is allocated to the funds based on the average month-end cash balances of the various funds.

A. Summary of Cash and Investments

The following is a summary of cash and investments at June 30, 2013:

	Government-Wide Statement of Net Position	Fiduciary Fund Statement of Fiduciary Net Position	Total
	Governmental Activities		
Cash and investments	\$ 29,756,953	\$ 930,942	\$ 30,687,895
Cash with fiscal agent	66,683	-	66,683
Total cash and investments	\$ 29,823,636	\$ 930,942	\$ 30,754,578

Conejo Recreation and Park District
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 2 – Cash and Investments (Continued)

A. Summary of Cash and Investments (Continued)

Cash and investments comprised the following at June 30, 2013:

Cash and cash equivalents:	
Petty cash	\$ 1,500
Cash on hand	21,671
Demand deposits	1,274,936
Cash held in escrow	66,683
Total cash and cash equivalents	<u>1,364,790</u>
Investments:	
Local Agency Investment Fund	2,268,399
Ventura County Investment Pool	27,121,389
Total investments	<u>29,389,788</u>
Total cash and investments	<u><u>\$ 30,754,578</u></u>

B. Cash Deposits

The carrying amounts of the District's demand deposits were \$1,274,936 at June 30, 2013. Bank balances at June 30, 2013 were \$1,531,952, which were fully insured or collateralized with securities held by the pledging financial institutions in the District's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the District's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the District's name.

The market value of pledged securities must equal at least 110% of the District's cash deposits. California law also allows institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total cash deposits. The District has waived collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC").

C. Investments

Under the provisions of the District's investment policy, and in accordance with California Government Code Section 53601, the District is authorized to invest or deposit in the following:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (LAIF)	2 years	NONE	NONE
Ventura County Investment Pool	2 years	NONE	NONE

Conejo Recreation and Park District
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 2 – Cash and Investments (Continued)

D. Investment in Local Agency Investment Fund

The District participates in an investment pool managed by the State of California titled *Local Agency Investment Fund* (“LAIF”) which has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF’s investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk as to change in interest rates.

The District’s investments with LAIF at June 30, 2013 included 1.96% of the pooled funds invested in structured notes and asset-backed securities. These investments included the following:

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities: generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2013, the District had \$2,268,399 invested in LAIF. The District valued its investments in LAIF as of June 30, 2013 by multiplying the account balance by a fair value factor determined by LAIF. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. This fair value factor was determined by dividing all LAIF participants’ total aggregate amortized cost by total aggregate fair value resulting in a factor of 1.000273207.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

E. Investment in Ventura County Investment Pool

As of June 30, 2013, the District had \$27,121,389 invested in the Ventura County Investment Pool (the “County Pool”). The District valued its investments in the County Pool as of June 30, 2013 at fair value as determined by the County Pool. The County Pool determines fair value based on values provided by the County Pool’s investment custodians.

Conejo Recreation and Park District
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 2 – Cash and Investments (Continued)

F. Risk Disclosures

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy ("Policy") limits investments to a maximum maturity of two years from date of purchase. The weighted average days to maturity of the total portfolio shall not exceed the District's anticipated liquidity needs for the next six (6) months. The District is in compliance with this provision of the Policy. At June 30, 2013, the District had the following investment maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years) Less than 1</u>
Local Agency Investment Fund	\$ 2,268,399	\$ 2,268,399
Ventura County Investment Pool	27,121,389	27,121,389
Total	\$ 29,389,788	\$ 29,389,788

The District's investments are rated by the nationally recognized statistical rating organizations as follows:

<u>Investment Type</u>	<u>Moody's</u>	<u>Standard & Poor's</u>
Local Agency Investment Fund	Not Rated	Not Rated
Ventura County Investment Pool	Aa1	AAAf

Concentration of Credit Risk

The following is a chart of the District's investment portfolio:

<u>Investments</u>	<u>Amount Invested</u>	<u>Percentage of Investments</u>
Local Agency Investment Fund	\$ 2,268,399	7.72%
Ventura County Investment Pool	27,121,389	92.28%
Total	\$ 29,389,788	100.00%

Custodial Credit Risk

For deposits, custodial credit risk is the risk that, in the event of the failure of a deposit financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

Conejo Recreation and Park District
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 2 – Cash and Investments (Continued)

Custodial Credit Risk (Continued)

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the provision for deposits stated in Note 2B.

Note 3 – Receivables

A. Accounts Receivable

Accounts receivable consisted of the following at June 30, 2013:

<u>Agency</u>	<u>Accounts Receivable</u>
Other government agencies	\$ 21,288
California Association for Park and Recreation Indemnity	67,901
Deposits receivable/ActiveNET	8,673
Arts Council of the Conejo Valley	11,156
Total	\$ 109,018

B. Interest Receivable

Interest receivable consisted of the following at June 30, 2013:

<u>Agency</u>	<u>Interest Receivable</u>
Local Agency Investment Fund	\$ 1,635
Ventura County Investment Pool	36,661
Total	\$ 38,296

C. Taxes Receivable

Taxes receivable, due from the County of Ventura, consisted of the following at June 30, 2013:

<u>Fund</u>	<u>Type</u>	<u>Amount</u>
General Fund	Property taxes	\$ 15,549
Special Assessment District Special Revenue Fund	Assessments	33,932
Dos Vientos Assessment District Special Revenue Fund	Assessments	11,659
Rancho Conejo Assessment District Special Revenue Fund	Assessments	1,027
Total		\$ 62,167

Conejo Recreation and Park District
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 3 – Receivables (Continued)

D. Loans Receivable

Summary of changes in loans receivable for the year ended June 30, 2013 is as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Computers	\$ 10,718	\$ 8,659	\$ (11,919)	\$ 7,458
Orthodontia	180	1,000	(695)	485
Newbury Park Girls Softball	4,000	-	(2,000)	2,000
AYSO	-	290,000	-	290,000
Total	\$ 14,898	\$ 299,659	\$ (14,614)	\$ 299,943

The District provides interest-free loans to all regular full-time District employees for the purchase of computers and orthodontia services. The District will pay for the computer and orthodontia and the employees will reimburse the District through payroll deductions over a payback period not to exceed two years. The District's Employee Computer Purchase Plan allows employees to purchase computers not to exceed \$3,000. The District's Orthodontia Loan Plan allows employees to purchase orthodontia services not to exceed \$1,000.

In 2010, the District entered into an agreement whereby improvements were made to the snack facility at Borchard Park, which is used primarily by the Newbury Park Girls Softball ("NPGS"). Funding was in the form of a loan to NPGS for \$10,000 to be paid in \$2,000 annual installments.

The District entered into an agreement on April 25, 2013 with the American Youth Soccer Organization ("AYSO") to advance a 10-year interest free loan to AYSO from the District payable in 10 equal installments of \$29,000. The first installment is due by April 1, 2014.

Note 4 – Interfund Transactions

Transfers In and Out

At June 30, 2013, the District had the following transfers in/out:

Transfers In						
Special Revenue Funds						
Transfers Out	General	Special	Dos Vientos	Rancho Conejo	Capital	Total
	Fund	Assessment District Fund	Assessment District Fund	Assessment District Fund	Projects Fund	
General Fund	\$ -	\$ 250,000	\$ 269,873	\$ 172,696	\$ -	\$ 692,569
Special Assessment District Fund	80,000	-	-	-	-	80,000
Dos Vientos Assessment District Fund	-	25,000	-	20,000	26,000	71,000
Total	\$ 80,000	\$ 275,000	\$ 269,873	\$ 192,696	\$ 26,000	\$ 843,569

Conejo Recreation and Park District
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 4 – Interfund Transactions (Continued)

Transfers In and Out (Continued)

From General Fund: 1) to provide funding for the Special Assessment District for various projects in the amount of \$250,000; and 2) to provide general property tax support for the Dos Vientos Assessment District and Rancho Conejo Assessment District in the amount of \$269,873 and \$172,696, respectively.

From the Special Assessment District Fund to General Fund to provide funding for the water booster pump in the amount of \$80,000.

From the Dos Vientos Assessment District Fund, there was leftover general funding support from the completed Del Prado Playfields project for the following: 1) to provide funding for the Special Assessment District Fund for the Oakbrook Neighborhood and La Canada projects in the amount of \$25,000; 2) to provide funding for the Rancho Conejo Assessment District Fund in the amount of \$20,000 to cover the District's excess water expenses; and 3) to provide funding for the Capital Projects Fund for the snack shack and Stagecoach slurry projects in the amount of \$26,000.

Note 5 – Contribution Receivable

On June 15, 1995, the District acquired 300 acres of land, commonly known as the McCrea Ranch in Thousand Oaks for \$1,950,000 from the McCrea Family. A provision of the transaction is that the McCrea Charitable Trusts named the District as the irrevocable beneficiary of portions of the corpus of the trust totaling \$1,800,000. The District received \$774,134 in previous fiscal years and \$1,042 in fiscal year 2012-13 from the McCrea \$1,800,000 Charitable Trusts, leaving a balance due at June 30, 2013 in amount of \$1,024,824. The entire balance is due by June 15, 2015.

Note 6 – Capital Assets

Summary of changes in the capital assets for the year ended June 30, 2013 is as follows:

	Balance as of July 1, 2012	Additions	Retirements	Transfers	Balance as of June 30, 2013
Capital assets not being depreciated:					
Land	\$ 41,498,102	\$ -	\$ -	\$ -	\$ 41,498,102
Construction in progress	9,510,980	4,822,912	(96,029)	(9,963,234)	4,274,629
Total capital assets not being depreciated	51,009,082	4,822,912	(96,029)	(9,963,234)	45,772,731
Depreciable capital assets:					
Buildings	8,369,285	-	-	1,362,306	9,731,591
Improvements	26,705,171	264,106	-	8,600,928	35,570,205
Equipment	5,283,083	321,866	-	-	5,604,949
Total depreciable capital assets	40,357,539	585,972	-	9,963,234	50,906,745
Less accumulated depreciation:					
Buildings	(2,357,603)	(232,066)	-	-	(2,589,669)
Improvements	(10,957,887)	(1,534,364)	-	-	(12,492,251)
Equipment	(3,882,634)	(361,772)	-	-	(4,244,406)
Total accumulated depreciation	(17,198,124)	(2,128,202)	-	-	(19,326,326)
Total capital assets being depreciated	23,159,415	(1,542,230)	-	9,963,234	31,580,419
Capital assets, net	\$ 74,168,497	\$ 3,280,682	\$ (96,029)	\$ -	\$ 77,353,150

Conejo Recreation and Park District
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 7 – Compensated Absences

Changes in compensated absences for the year ended June 30, 2013 were as follows:

	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013	Classification	
					Due Within One Year	Due in More than One Year
Compensated absences	\$ 1,006,637	\$ 506,000	\$ (512,879)	\$ 999,758	\$ 100,000	\$ 899,758
Total	\$ 1,006,637	\$ 506,000	\$ (512,879)	\$ 999,758	\$ 100,000	\$ 899,758

Note 8 – Pension Plans

A. Employee Deferred Compensation Plan (Full Time Employees)

The District offers its full time employees from the start of employment a deferred compensation plan (the “plan”) created in accordance with federal and state laws. Employees participating in the program may defer income tax recognition on contributions to the plan, up to specified amounts, and on earnings resulting from the investment of these contributions. Funds may be withdrawn from the plan upon retirement, disability, or separation from the District’s employment by the participant and, at that time, such funds become subject to income tax.

It is the District’s position that it has no fiduciary obligation in the management of the plan’s resources and is not responsible for any loss due to the investment or failure of investment funds and assets of the plan, nor shall the District be required to replace any loss which may result from such investments. The plan assets are not included in the accompanying basic financial statements.

B. Employee Deferred Compensation Plan (Part-Time Employees)

Part-time employees are covered by a deferred compensation plan (the “plan”) in accordance with Internal Revenue Code Section 457. The plan is a non-elective deferred compensation arrangement for the benefit of employees who are not covered by another retirement system maintained by the District. Under the plan, an eligible participant accrues a monthly benefit that is equal to one-twelfth (1/12) of an amount equal to 2% of the participant’s average annual compensation times years of service up to 30 years. Distributions from the plan are made only when the participant has separated from service and the participant’s accrued benefits are non-forfeitable.

With certain limitations, a participant may elect that time and manner which his or her deferred amounts will be distributed. The election must be made prior to the date any such amounts become payable to the participant. If the participant fails to make a timely election concerning distribution of the deferred amounts, the amounts shall be paid in a lump sum distribution as prescribed by the plan. The manner and time of benefit payout must meet the distribution requirements of the Internal Revenue Code Sections 401(a) and 457(d)(2). The plan assets are not included in the accompanying financial statements.

The plan provides that all amounts deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, or rights will remain (until made available to the participant) solely the property and rights of the District, subject only to claims of such District’s general creditors. The rights of any participant or beneficiary to payments pursuant to the plan are nonassignable, and their interest in benefits under the plan is not subject to attachment, garnishment or other legal process.

Conejo Recreation and Park District
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 8 – Pension Plans (Continued)

C. California Public Employees' Retirement System

Plan Description

The District contributes to the California Public Employees' Retirement System ("CalPERS"). The miscellaneous employees of the District are part of an agent multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and District ordinance. Copies of CalPERS' annual financial report may be obtained from their executive office at 400 P Street, Sacramento, CA 95814.

Funding Policy

Participants are required to contribute 7% for miscellaneous employees of their annual covered salary. The District made the full 7% of contributions required of District employees on their behalf until October 21, 2011, when the plan was amended for the District to make only 5.8% of the 7% of contributions on their behalf. For the fiscal year ended June 30, 2013, the District's contribution was 8.265% for miscellaneous employees. The contribution requirements of plan members and the District are established and may be amended by CalPERS.

Annual Pension Costs

The District's annual pension cost of \$604,912 was equal to the District's required and actual contribution. The required contribution was determined as part of the June 30, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.55% to 14.45% depending upon entry age, and (c) 3.0% for inflation compounded annually. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. CalPERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2010 was 21 years.

Three-Year Trend Information for CalPERS

Fiscal year	Annual Pension Cost ("APC")	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 528,322	100%	\$ -
2012	655,461	100%	-
2013	604,912	100%	-

Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 94.0% funded. The entry age accrued liability was \$45,980,800 and the actuarial value of assets was \$43,241,301, resulting in an unfunded liability of \$(2,739,499). The covered payroll (annual payroll of active employees covered by the plan) was \$7,589,482 and the ratio of the unfunded liability to the covered payroll was 36.1%. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time related to the actuarial liability.

Conejo Recreation and Park District
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 9 – Other Post Employment Benefits (“OPEB”)

The District provides, by resolution, an additional postemployment benefit to Length-of-Service retirees. The District pays for 100 percent of this benefit on a pay-as-you-go-basis. General employees hired before July 1, 2009, with 5 or more years of service that leave the District and apply for a CalPERS pension within 120 days are eligible to receive OPEB benefits. The general manager, administrators and managers who retire from the District with 10 or more years of service are eligible for OPEB premium benefits.

For the fiscal year ended June 30, 2013, the total contribution made was \$189,255. Forty retired employees received OPEB benefits during the fiscal year.

Annual OPEB Cost and Net OPEB Obligation

The District’s annual OPEB cost (expense) is calculated based on the *Annual Required Contribution of the Employer* (“ARC”), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation to the plan:

	<u>Total</u>
Annual required contribution	\$ 713,273
Interest on net OPEB obligation	99,768
Adjustment to annual required contribution	(103,153)
Annual OPEB cost (expense)	<u>709,888</u>
Contributions made	<u>(189,255)</u>
Increase in net OPEB obligation	520,633
Net OPEB obligation - beginning of year	<u>2,217,069</u>
Net OPEB obligation - end of year	<u><u>\$ 2,737,702</u></u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual Contribution</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$ 767,023	\$ 169,217	22.1%	\$ 1,728,343
6/30/2012	663,438	174,712	26.3%	2,217,069
6/30/2013	709,888	189,255	26.7%	2,737,702

Funded Status and Funding Progress

Based on the most recent actuarial valuation dated July 1, 2011, the plan was zero percent funded. The Actuarial Accrued Liability for benefits was \$7,503,813, and the actuarial value of assets was \$0, resulting in an Unfunded Actuarial Accrued Liability (“UAAL”) of \$7,503,813. The covered payroll (annual payroll of active employees covered by the plan) was \$6,853,931 and the ratio of UAAL to the covered payroll was 109.48%. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time related to the actuarial liability.

Conejo Recreation and Park District
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 9 – Other Post Employment Benefits (“OPEB”) (Continued)

Funded Status and Funding Progress (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts, and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan, and the annual required contributions of the employer, are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future.

The District has committed \$4,866,999 in the General Fund towards the OPEB liability.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members), and include the types of benefits provided at the time of each valuation, and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, and are consistent with the long-term perspective of the calculations.

In the July 1, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.50% investment rate of return which is based on the expected return on funds invested by the District, and an annual healthcare cost trend rate of 7.6% initially and reduced to an ultimate rate of 5.5% thereafter. An aggregate payroll increase of 3.25% was used in the actuarial valuation. The UAAL is being amortized as a level percentage of projected payroll over a 30 year closed period. The remaining amortization period at July 1, 2011 was 27 years.

Note 10 – Risk Management

The District participates via a joint powers agreement in the California Association for Park and Recreation Indemnity (“CAPRI”) pool for property and liability coverage. The purpose of CAPRI is to arrange and administer programs of insurance and to purchase excess insurance coverage. CAPRI is governed by a board of directors which controls the operations of the pool, including selection of management and approval of the budget. At June 30, 2013, the District’s coverage was as follows:

General and auto liability coverage have a \$1,000,000 limit per occurrence, and public officials and employee liability coverage have a \$25 million annual aggregate limit per member district. CAPRI has an excess policy for these coverages with limits of \$24 million in excess of \$1,000,000. The District has a \$100,000 deductible for this program. All-risk property loss coverage has an annual aggregate limit of \$1,000,000,000 and is subjected to a \$2,000 deductible per occurrence payable by the District.

Flood and earthquake coverage have annual aggregate limit of \$10,000,000 and \$5,000,000, respectively, for all member districts. The deductible for all loss or damage arising from the risks of flood and/or earthquake is \$50,000 per occurrence or 5% of the value of the building, contents and/or structure damaged, whichever is greater.

The District is effectively self-insured for its workers’ compensation insurance coverage.

Conejo Recreation and Park District
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 10 – Risk Management (Continued)

During the past three fiscal (claims) years, none of the above programs of protection have had settlement or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

	<u>2013</u>
General Liability	\$ 94,498
Workers' Compensation	<u>328,052</u>
Estimated Claims Liability	<u>\$ 422,550</u>

A reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior two years is as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Claims liabilities - beginning balance	\$ 555,612	\$ 455,115	\$ 645,394
Inurred claims, representing the total of a provision for events of the current fiscal year and any change in the provision for events of prior fiscal years	130,290	314,597	138,621
Payments on claims attributable to events of both the current fiscal year and the prior fiscal year	<u>(263,352)</u>	<u>(214,100)</u>	<u>(328,900)</u>
Claims liabilities - ending balance	<u>\$ 422,550</u>	<u>\$ 555,612</u>	<u>\$ 455,115</u>

Note 11 – Commitments and Contingencies

The District is a defendant in certain other legal actions arising in the normal course of operations. In the opinion of management and legal counsel, any liability resulting from these actions will not result in a material adverse effect on the District's financial position.

As of June 30, 2013, in the opinion of District management, there were no additional outstanding matters that would have a significant effect on the financial position of the funds of the District.

Contract Commitments

The District had \$230,943 in outstanding contract commitments for completion of ongoing capital improvements projects at June 30, 2013.

Conejo Recreation and Park District
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 12 – Investment in Joint Venture

Conejo Open Space Conservation Agency

In 1977, the District entered into a Joint Powers Agreement with the City of Thousand Oaks (“City”) to form the Conejo Open Space Conservation Agency (“COSCA”). COSCA is governed by a five-member board consisting of two City Council members, two District Board members, and one private citizen of the City. Expenditures of COSCA are shared equally between the District and the City. The City is responsible for the fiscal management of COSCA activities. Separate audited financial statements for COSCA are available from the City of Thousand Oaks’ Finance Department at 2100 Thousand Oaks Blvd., Thousand Oaks, CA 91362.

The latest audited financial information for COSCA for the year ended June 30, 2013 is as follows:

	<u>Joint Venture</u>	<u>District Portion</u>
Total assets	\$ 75,216,831	\$ 37,608,416
Total liabilities	<u>36,223</u>	<u>18,112</u>
Net position:		
Net investment in capital assets	74,124,697	37,062,348
Restricted	<u>1,055,911</u>	<u>527,956</u>
Total net position	<u><u>\$ 75,180,608</u></u>	<u><u>\$ 37,590,304</u></u>
Total revenues	\$ 7,907,069	\$ 3,953,535
Total expenses	<u>(1,145,893)</u>	<u>(572,947)</u>
Changes in net position	<u><u>\$ 6,761,176</u></u>	<u><u>\$ 3,380,588</u></u>

Note 13 – Jointly Governed Organization

Mountains Recreation and Conservation Authority

The Mountains Recreation and Conservation Authority (“MRCA”) was established on June 27, 1985, under a joint powers agreement entered into by the District and the Santa Monica Mountains Conservancy (the “Conservancy”) for and with the purpose of acquiring, developing, and conserving additional park and green space land with special emphasis on water-oriented recreation and conservation projects within both the Santa Monica Mountains Zone and the District’s boundaries. On August 3, 1987, the Rancho Simi Recreation and Park District (“Rancho District”) became a party to the joint powers agreement and a member of MRCA. There was no contribution made by the District to MRCA.

MRCA is governed by a four-member board consisting of one member of the District, one member of the Conservancy, the general manager of the Rancho District, and one at-large member. Separate audited financial statements for MRCA are available at 570 West Avenue 26, Suite 100, Los Angeles, CA 90065.

REQUIRED SUPPLEMENTARY INFORMATION

Conejo Recreation and Park District
Required Supplementary Information (Unaudited)
For the year ended June 30, 2013

Note 1 – Budgets and Budgetary Accounting

The District adopts an annual budget on or before August 30. From the effective date of the budget, the amounts stated as proposed expenditures become appropriations to the various District departments.

The Board of Directors may amend the budget by motion during each fiscal year. The General Manager is authorized to transfer funds from one major expenditure category to another within the same department and fund. Any revisions that alter the total expenditures of any fund must be approved by the Board of Directors. The original and revised budgets are presented for the General Fund, Special Assessment District Special Revenue Fund, Dos Vientos Assessment District Special Revenue Fund, and Rancho Conejo Assessment District Special Revenue Fund in the required supplementary information.

All appropriations lapse at the end of the fiscal year to the extent that they have not been expended.

Conejo Recreation and Park District
Required Supplementary Information (Unaudited) (Continued)
For the year ended June 30, 2013

Note 1 – Budgets and Budgetary Accounting (Continued)

Budgetary Comparison Schedule, General Fund

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Property taxes	\$ 12,218,000	\$ 12,218,000	\$ 11,893,088	\$ (324,912)
Licenses and permits	14,000	14,000	21,555	7,555
Interest	88,000	88,000	(18,929)	(106,929)
Facilities rental	537,800	537,800	631,936	94,136
Other governmental agencies	1,817,420	1,817,420	1,965,331	147,911
Recreation fees	3,571,250	3,571,250	3,651,641	80,391
Other	84,365	84,365	102,483	18,118
Total revenues	18,330,835	18,330,835	18,247,105	(83,730)
EXPENDITURES:				
Current:				
District administration	2,855,434	2,882,434	2,404,976	477,458
Parks and planning	7,200,348	7,562,348	7,426,866	135,482
Recreation and community services	7,079,020	7,084,020	6,561,969	522,051
Capital outlay	578,500	578,500	582,128	(3,628)
Total expenditures	17,713,302	18,107,302	16,975,939	1,131,363
REVENUES OVER (UNDER) EXPENDITURES	617,533	223,533	1,271,166	1,047,633
OTHER FINANCING SOURCES (USES):				
Transfers in	-	80,000	80,000	-
Transfers out	(778,691)	(778,691)	(692,569)	86,122
Total other financing sources (uses)	(778,691)	(698,691)	(612,569)	86,122
Changes in Fund Balance	\$ (161,158)	\$ (475,158)	658,597	\$ 1,133,755
FUND BALANCE:				
Beginning of year			23,828,585	
End of year			\$ 24,487,182	

Conejo Recreation and Park District
Required Supplementary Information (Unaudited) (Continued)
For the year ended June 30, 2013

Note 1 – Budgets and Budgetary Accounting (Continued)

Budgetary Comparison Schedule, Special Assessment District Special Revenue Fund

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Assessments	\$ 1,661,611	\$ 1,661,611	\$ 1,654,514	\$ (7,097)
Interest	15,000	15,000	27,344	12,344
Other governmental agencies	70,400	70,400	7,341	(63,059)
Total revenues	<u>1,747,011</u>	<u>1,747,011</u>	<u>1,689,199</u>	<u>(57,812)</u>
EXPENDITURES:				
Current:				
Parks and planning	713,975	633,975	525,315	108,660
Capital outlay	2,929,600	3,361,810	3,007,705	354,105
Total expenditures	<u>3,643,575</u>	<u>3,995,785</u>	<u>3,533,020</u>	<u>462,765</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,896,564)</u>	<u>(2,248,774)</u>	<u>(1,843,821)</u>	<u>404,953</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	25,000	275,000	250,000
Transfers out	-	(80,000)	(80,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(55,000)</u>	<u>195,000</u>	<u>250,000</u>
Changes in Fund Balance	<u>\$ (1,896,564)</u>	<u>\$ (2,303,774)</u>	<u>(1,648,821)</u>	<u>\$ 654,953</u>
FUND BALANCE:				
Beginning of year			3,768,898	
End of year			<u>\$ 2,120,077</u>	

Conejo Recreation and Park District
Required Supplementary Information (Unaudited) (Continued)
For the year ended June 30, 2013

Note 1 – Budgets and Budgetary Accounting (Continued)

Budgetary Comparison Schedule, Dos Vientos Assessment District Special Revenue Fund

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Assessments	\$ 579,066	\$ 579,066	\$ 583,381	\$ 4,315
Licenses and permits	60,000	60,000	87,897	27,897
Interest	2,000	2,000	18,760	16,760
Total revenues	641,066	641,066	690,038	48,972
EXPENDITURES:				
Current:				
Parks and planning	910,939	910,939	774,591	136,348
Capital outlay	675,000	1,030,000	1,034,407	(4,407)
Total expenditures	1,585,939	1,940,939	1,808,998	131,941
REVENUES OVER (UNDER) EXPENDITURES	(944,873)	(1,299,873)	(1,118,960)	180,913
OTHER FINANCING SOURCES (USES):				
Transfers in	269,873	269,873	269,873	-
Transfers out	-	(71,000)	(71,000)	-
Total other financing sources (uses)	269,873	198,873	198,873	-
Changes in Fund Balance	\$ (675,000)	\$ (1,101,000)	(920,087)	\$ 180,913
FUND BALANCE:				
Beginning of year			1,514,521	
End of year			\$ 594,434	

Conejo Recreation and Park District
Required Supplementary Information (Unaudited) (Continued)
For the year ended June 30, 2013

Note 1 – Budgets and Budgetary Accounting (Continued)

Budgetary Comparison Schedule, Rancho Conejo Assessment District Special Revenue Fund

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Assessments	\$ 70,479	\$ 70,479	\$ 71,155	\$ 676
Interest	-	-	768	768
Other	-	-	28,058	28,058
Total revenues	<u>70,479</u>	<u>70,479</u>	<u>99,981</u>	<u>29,502</u>
EXPENDITURES:				
Current:				
Parks and planning	243,175	270,175	269,652	523
Capital outlay	100,000	29,000	30,150	(1,150)
Total expenditures	<u>343,175</u>	<u>299,175</u>	<u>299,802</u>	<u>(627)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(272,696)</u>	<u>(228,696)</u>	<u>(199,821)</u>	<u>28,875</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	172,696	192,696	192,696	-
Total other financing sources (uses)	<u>172,696</u>	<u>192,696</u>	<u>192,696</u>	<u>-</u>
Changes in Fund Balance	<u>\$ (100,000)</u>	<u>\$ (36,000)</u>	<u>(7,125)</u>	<u>\$ 28,875</u>
FUND BALANCE:				
Beginning of year			30,193	
End of year			<u>\$ 23,068</u>	

Conejo Recreation and Park District
Required Supplementary Information (Unaudited) (Continued)
For the year ended June 30, 2013

Note 2 – Schedule of Funding Progress

California Public Employees' Retirement System ("CalPERS")

Miscellaneous Employees

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
June 30, 2010	\$ 39,468,657	\$ 40,999,430	\$ (1,530,773)	96.3%	\$ 7,813,746	19.59%
June 30, 2011	41,519,375	43,926,145	(2,406,770)	94.5%	7,616,498	31.60%
June 30, 2012	43,241,301	45,980,800	(2,739,499)	94.0%	7,589,482	36.10%

Other Post Employment Benefits

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
July 1, 2008	\$ -	\$ 6,119,659	\$ (6,119,659)	0.0%	\$ 6,451,938	94.85%
July 1, 2011	-	7,503,813	(7,503,813)	0.0%	6,853,931	109.48%

* July 1, 2008 was the implementation year. Prior year information is not available.

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SUPPLEMENTARY INFORMATION

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FIDUCIARY FUNDS

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Conejo Recreation and Park District
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2013

	Agency Funds						
	Farland House Revolving Fund	Wildwood Flood Repair Fund	Goebel Senior Adult Center Fund	Fireworks Trust Fund	RSVP Advisory Council Fund	Therapeutic Advisory Council Fund	Totals
ASSETS							
Cash and investments	\$ 272,050	\$ 368,210	\$ 44,058	\$ 28,420	\$ 134,667	\$ 83,537	\$ 930,942
Interest receivable	112	161	19	37	130	72	531
Total assets	<u>\$ 272,162</u>	<u>\$ 368,371</u>	<u>\$ 44,077</u>	<u>\$ 28,457</u>	<u>\$ 134,797</u>	<u>\$ 83,609</u>	<u>\$ 931,473</u>
LIABILITIES							
Deposits	\$ 272,162	\$ 368,371	\$ 44,077	\$ 28,457	\$ 134,797	\$ 83,609	\$ 931,473
Total liabilities	<u>\$ 272,162</u>	<u>\$ 368,371</u>	<u>\$ 44,077</u>	<u>\$ 28,457</u>	<u>\$ 134,797</u>	<u>\$ 83,609</u>	<u>\$ 931,473</u>

Conejo Recreation and Park District
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the year ended June 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<u>Farland House Revolving Fund</u>				
Assets:				
Cash and investments	\$ 250,879	\$ 21,171	\$ -	\$ 272,050
Interest receivable	170	112	(170)	112
Total assets	\$ 251,049	\$ 21,283	\$ (170)	\$ 272,162
Liabilities:				
Deposits payable	\$ 251,049	\$ 21,283	\$ (170)	\$ 272,162
Total liabilities	\$ 251,049	\$ 21,283	\$ (170)	\$ 272,162
<u>Wildwood Flood Repair Fund</u>				
Assets:				
Cash and investments	\$ 367,248	\$ 962	\$ -	\$ 368,210
Interest receivable	276	161	(276)	161
Total assets	\$ 367,524	\$ 1,123	\$ (276)	\$ 368,371
Liabilities:				
Deposits payable	\$ 367,524	\$ 1,123	\$ (276)	\$ 368,371
Total liabilities	\$ 367,524	\$ 1,123	\$ (276)	\$ 368,371
<u>Goebel Senior Adult Center Fund</u>				
Assets:				
Cash and investments	\$ 43,942	\$ 116	\$ -	\$ 44,058
Interest receivable	33	19	(33)	19
Total assets	\$ 43,975	\$ 135	\$ (33)	\$ 44,077
Liabilities:				
Deposits payable	\$ 43,975	\$ 135	\$ (33)	\$ 44,077
Total liabilities	\$ 43,975	\$ 135	\$ (33)	\$ 44,077
<u>Fireworks Trust Fund</u>				
Assets:				
Cash and investments	\$ 29,609	\$ 2,846	\$ (4,035)	\$ 28,420
Interest receivable	107	106	(176)	37
Total assets	\$ 29,716	\$ 2,952	\$ (4,211)	\$ 28,457
Liabilities:				
Deposits payable	\$ 29,716	\$ 2,952	\$ (4,211)	\$ 28,457
Total liabilities	\$ 29,716	\$ 2,952	\$ (4,211)	\$ 28,457

Conejo Recreation and Park District
Combining Statement of Changes in Fiduciary Assets and Liabilities (Continued)
Agency Funds
For the year ended June 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<u>RSVP Advisory Council Fund</u>				
Assets:				
Cash and investments	\$ 108,020	\$ 95,428	\$ (68,781)	\$ 134,667
Interest receivable	208	266	(344)	130
Total assets	<u>\$ 108,228</u>	<u>\$ 95,694</u>	<u>\$ (69,125)</u>	<u>\$ 134,797</u>
Liabilities:				
Deposits payable	\$ 108,228	\$ 95,694	\$ (69,125)	\$ 134,797
Total liabilities	<u>\$ 108,228</u>	<u>\$ 95,694</u>	<u>\$ (69,125)</u>	<u>\$ 134,797</u>
<u>Therapeutic Advisory Council Fund</u>				
Assets:				
Cash and investments	\$ 81,213	\$ 68,660	\$ (66,336)	\$ 83,537
Interest receivable	-	72	-	72
Total assets	<u>\$ 81,213</u>	<u>\$ 68,732</u>	<u>\$ (66,336)</u>	<u>\$ 83,609</u>
Liabilities:				
Deposits payable	\$ 81,213	\$ 68,732	\$ (66,336)	\$ 83,609
Total liabilities	<u>\$ 81,213</u>	<u>\$ 68,732</u>	<u>\$ (66,336)</u>	<u>\$ 83,609</u>
<u>Total All Agency Funds</u>				
Assets:				
Cash and investments	\$ 880,911	\$ 189,183	\$ (139,152)	\$ 930,942
Interest receivable	794	736	(999)	531
Total assets	<u>\$ 881,705</u>	<u>\$ 189,919</u>	<u>\$ (140,151)</u>	<u>\$ 931,473</u>
Liabilities:				
Deposits payable	\$ 881,705	\$ 189,919	\$ (140,151)	\$ 931,473
Total liabilities	<u>\$ 881,705</u>	<u>\$ 189,919</u>	<u>\$ (140,151)</u>	<u>\$ 931,473</u>



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December 16, 2013

To the Board of Directors
of the Conejo Recreation and Park District
Thousand Oaks, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Conejo Recreation and Park District (the "District") for the year ended June 30, 2013, and has issued our report thereon dated December 16, 2013. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 29, 2013, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriations of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity.

We performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements.

New Accounting Standards

GASB has issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements ("SCA")*. The requirements of this Statement improve financial reporting by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This statement became effective for periods beginning after December 15, 2011 and did not have a significant impact on the District's financial statements for the year ended June 30, 2013.

GASB has issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. The requirements of this statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. This statement became effective for periods beginning after June 15, 2012 and did not have a significant impact on the District's financial statements for year ended June 30, 2013.

GASB has issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement combines the authoritative accounting and financial reporting of the FASB and the American Institute of Certified Public Accountants ("AICPA"). The statement eliminates the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments. This statement became effective for period beginning after December 15, 2011 and did not have a significant impact on the District's financial statements for the year ended June 30, 2013.

GASB has issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The requirements of this statement standardize the presentation of the deferred inflows and outflows of resources and their effects on a government's net position. This statement became effective for periods beginning after December 15, 2011. The implementation of this statement to the District was limited to renaming of "Net Assets" to "Net Position" in the 2013 financial statements.

No other new accounting policies were adopted and the application of existing policies was not changed during 2013. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

- Management's estimate of the investment fair market value is based on information provided by the State of California for its investment in the Local Agency Investment Fund and the County of Ventura for its investment in the Ventura County Investment Pool. We evaluated the key factors and assumptions used to develop the investment fair market value in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the depreciation on capital assets is based on the industry standard and past experience on actual useful life of the asset groups. We evaluated the key factors and assumptions used to develop the depreciation on capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of claims payable is based on historical loss rates, claims paid and analysis of open claims. We evaluated the key factors and assumptions used to develop the claims payable amount in determining that it is reasonable in relation to the financial statements as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Note 1 – Summary of Significant Accounting Policies
- Note 8 – Pension Plans
- Note 9 – Other Post Employment Benefits ("OPEB")
- Note 12 – Investment in Joint Venture

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 16, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

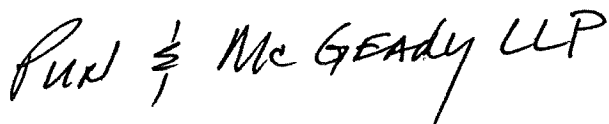
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Ron E. Mc Geady". The signature is written in a cursive, slightly slanted style. The "E" is stylized with a horizontal bar. The "LLP" is written in all caps at the end of the signature.

Irvine, California